

## Message Text

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73

ACTION XMB-07

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R 141926Z SEP 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 3596

C O N F I D E N T I A L BUENOS AIRES 6794

E.O. 11652: GDS

TAGS: EFIN, BEXP, AR

SUBJ: GOA- EXIMBANK RELATIONS

FOR EXIMBANK

1. DEVELOPMENTS OVER THE PAST FEW MONTHS, SOME OF WHICH HAVE COME TO OUR ATTENTION LONG AFTER THEIR OCCURRENCE, ARE CAUSING US SOME CONCERN FOR THE FUTURE OF THE TRADITIONALLY EXCELLENT RELATIONS BETWEEN THE EXIMBANK AND THE ARGENTINE GOVERNMENT. WE HOPE WE ARE WRONG, BUT WE SEEM TO PERCEIVE A DISTINCT DRAWING BACK BY BOTH THE GOA AND THE EXIMBANK FROM THE MUTUAL UNDERSTANDING WE BELIEVED HAD BEEN REACHED IN THE LAST MONTHS OF 1972 AND EARLY 1973.

2. ON THE GOA SIDE, NONE OF THE EIGHT PROJECTS WHICH SEEMED TO BE PRACTICALLY READY TO GO SIX OR EIGHT MONTHS AGO HAVE BEEN PURSUED BY THE GOA TO THE POINT OF ACTUAL DISBURSEMENT. WE HAVE RECENTLY HEARD THE DISQUIETING NEWS THAT DR. CUERVO (WHO HAS BEEN HELD OVER BY THE NEW ADMINISTRATION IN THE FINANCE MINISTRY) HAS SAID PRIVATELY THAT THE NEW ADMINISTRATION IS UNWILLING TO PROVIDE THE "COUNTERGUARANTEE" LETTER WHICH HAD BEEN AGREED TO WITH FORMER MINISTER WEHBE AFTER LABORIOUS NEGOTIATIONS. AN AMERICAN COMPANY (MCKEE), WHICH HAD BEEN SELECTED TO BUILD A PROJECT FOR YPF AT PLAZA HUINCUL (AND WHICH HAS FULFILLED ALMOST ALL OF THE WORK REQUIRED EXCEPT FOR

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THE IMPORTATION AND INSTALLATION OF US EQUIPMENT), HAS BEEN

ASKED BY YPF TO LOOK FOR ALTERNATE FINANCING EVEN IF IT COSTS MORE. READING THE SIGNS, MCKEE MADE A DUAL PROPOSAL ON THE ETHANE EXTRACTION PLANT FOR GAS DEL ESTADO, ONE PROPOSAL BEING US EQUIPMENT WITH EXIMABNK FINANCING, AND THE OTHER, ITALIAN EQUIPMENT AND ITALIAN FINANCING. WE ARE SEEMINGLY UNABLE TO MAKE ANY PROGRESS IN PERSUADING AGUA Y ENERGIA TO ACCEPT EXIMBANK PRELIMINARY COMMITMENTS AS FIRM OFFERS OF FINANCING (SEE BA 6543). IN ADDITION, THE GOA WISHES TO REOPEN THE ALTOS HORNOS DE ZAPLA ROLLING MILL CONTRACT TO ELIMINATE THE SOVEREIGN IMMUNITY CLAUSE.

3. ON THE EXIMBANK SIDE, WE HAVE RECENTLY SEEN A DRAFT CONTRACT CONTAINING A NEW CLAUSE WHICH WE HAVE NOT SEEN BEFORE: A QUOTE FULL FAITH AND CREDIT ENDQUOTE CLAUSE UNDER REPRESENTATIONS AND WARRANTIES - GUARANTOR. WE DO NOT KNOW THE BACKGROUND ON THIS, ITS RELATIONSHIP TO THE QUOTE COUNTER-GUARANTEE LETTER ENDQUOTE, THE REASONS FOR ITS INCLUSION IN ADDITION TO THE USUAL AUTHORITY AND LEGALITY CLAUSES, ETC., NOR WHETHER IT IS A SPECIAL CLAUSE INCLUDED FOR ARGENTINA, OR WHETHER IT HAS BECOME A STANDARD PART OF EXIMBANK CONTRACTS.

4. WE FOUND, IN EXTENSIVE DISCUSSIONS BETWEEN EXIMBANK LAWYERS AND PEOPLE FROM THE MIN OF FINANCE AND CENTRAL BANK, THAT OUR TWO GOVERNMENTS SEEM TO HAVE DIFFERENT CONCEPTS OF QUOTE FULL FAITH AND CREDIT ENDQUOTE; THE GOA FELT THAT A SEPARATE FULL FAITH AND CREDIT CLAUSE WAS SUPERFLUOUS. ONE OF THE PURPOSES OF THE NEGOTIATIONS WITH MIN WEHBE WAS TO FIND SOME FORMULA WHICH WOULD GIVE EXIMBANK REASONABLE ASSURANCE OF REPAYMENT WITHOUT RELYING ON CLAUSES WHICH THE GOA FOUND UNACCEPTABLE. THE NEW GOA HAS A CONGRESS LOOKING OVER ITS SHOULDER, AND IT IS LIKELY TO FIND SUCH CLAUSES EVEN LESS ACCEPTABLE THAN THE PREVIOUS ONE. WE CONTINUE TO FEEL THAT GUARANTEES OFFERED BY THE THREE OFFICIAL GOVERNMENT BANKS IN FACT COMMIT THE FULL FAITH AND CREDIT OF THE ARGENTINE GOVERNMENT.

5. OUR CONCERN IS BASED NOT ONLY ON OUR DESIRE TO MAINTAIN GENERAL GOOD RELATIONS WITH THE GOA BUT ALSO ON THE FACT THAT OUR ABILITY TO USE EXIMBANK FACILITIES FOR TRADE PROMOTION IS BEING IMPAIRED BY AN APPARENTLY WIDENING DIVERGENCE OF VIEWS  
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OR POLICY.

6. IN ADDITION WE FEEL WE ARE NOT REALLY UP TO DATE ON EXIMBANK'S VIEWS ON AND POLICIES TOWARDS ARGENTINA. WE UNDERSTAND THAT AN EXIMBANK REPRESENTATIVE WILL BE ATTENDING THE FORTHCOMING COMMERCIAL CONFERENCE AT RIO DE JANEIRO. WE WOULD GREATLY APPRECIATE IT IF HE WOULD BE PREPARED TO DISCUSS THIS SUBJECT WITH US IN SOME DEPTH. IT WOULD BE EVEN BETTER IF HE COULD COME

TO BUENOS AIRES AFTER THE CONFERENCE FOR DISCUSSIONS WITH US AND  
WITH EXIMBANK CUSTOMERS.  
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